

Message Text

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C O N F I D E N T I A L SECTION 1 OF 4 TAIPEI 5933/1

PASS DEFENSE

E.O. 11 652: GDS

TAGS: MILI, TW

SUBJECT: REVIEW OF REQUIREMENTS FOR CONTINUED UH-1H

CO-PRODUCTION AND RELATED PROGRAMS

REF: A. MOU RELATING TO UH-1H ASSEMBLY AND CO-PRODUCTION
PROGRAM (PHASE I), APPROVED 13 AUGUST 69;

B. MOU RELATING TO UH-1H AND T-53 ENGINE ASSEMBLY
AND CO-PRODUCTION PROGRAMS (PHASE II),
APPROVED 12 OCT. 72;

C. SECURITY ASSISTANCE PROGRAM OBJECTIVE MEMO-
RANDUM (POM), FY1975-79, AS APPROVED BY
ASD/ISA ON 14 MAY 73;

D. TAIPEI 4202--120750Z JUL 73

COUNTRY TEAM MESSAGE

1. SUMMARY: COUNTRY TEAM HAS REVIEWED UH-1H AND T-53
ENGINE CO-PRODUCTION PROGRAM IN LIGHT OF ROC'S MILITARY
REQUIREMENTS AND ABILITY TO SUPPORT. WE BELIEVE FUNDING
OF PROGRAM CAN GRADUALLY REVERT TO CASH BASIS BUT CON-
TINUING U.S. CREDIT THROUGH FY 77 IS DESIRABLE TO FACILI-
TATE ORDERLY TRANSITION. COUNTRY TEAM APPROVES TOTAL
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PROGRAM OBJECTIVES IN PRINCIPLE, INCLUDING PHASE III

OBJECTIVES, APPLYING CREDITS IN SUCCESSIVELY REDUCED AMOUNTS SO AS TO TRANSFER PROGRAM TO CASH BASIS DURING PHASE III (FUNDING FY 75-78). PROGRAM WILL ENHANCE MOBILITY OF REOC FORCES IMPROVING PROSPECTS FOR MEANINGFUL TROOP REDUCTIONS. WHILE FORCE REDUCTION PRECONDITIONS WOULD BE INAPPROPRIATE AFTER PROGRAM CONVERTED TO CASH BASIS, WE SHOULD USE LEVERAGE OF ANY ADDITIONAL CREDIT APPROVALS TO GET ROC TO TRIM FORCES AND DIVERT ATTENDANT SAVINGS TO NEEDED MODERNIZATION AND DEFENSE PREPAREDNESS.
END SUMMARY.

2. INTRODUCTION: REF A PROVIDES FOR THE CO-PRODUCTION/ CO-ASSEMBLY OF 50 UH-1H HELICOPTERS ON TAIWAN, USING PARTS AND ASSEMBLIES (TO INCLUDE T-53 TURBINE ENGINES) PROCURED FROM US CONTRACTORS. AS OF END FY73, 39 HELICOPTERS HAD BEEN CO-PRODUCED/CO-ASSEMBLED DURING PHASE I PRODUCTION. REF B PROVIDES FOR THE CO-PRODUCTION/CO-ASSEMBLY OF AN ADDITIONAL 68 HELICOPTERS (PHASE II), PLUS THE CO-ASSEMBLY ON A TRIAL BASIS OF 80 T-53 ENGINES TO SUPPORT UH-1H CO-PRODUCTION AND TO PROVIDE NECESSARY ENGINE SPARES. REF C CONTAINS FOR PLANNING PURPOSES US\$60.3 MILLION-- SUM OF "UH-1H" AND "AIRCRAFT SUPPORT" LINES DURING PERIOD FY75-76 FOR CONTINUED CREDIT SUPPORT OF PHASE III CO- PRODUCTION/ CO-ASSEMBLY OF 118 ADDITIONAL UH-1H HELICOPTERS AND 144 ADDITIONAL T-53 ENGINES, SHOULD THIS COURSE OF ACTION PROVE DESIRABLE FROM A US VIEWPOINT. (THE SUM INCLUDES US\$1.4 MILLION FOR THE ACQUISITION OF UH-1H AEROSPACE GROUND EQUIPMENT (AGE) AND OTHER NECESSARY MAINTENANCE HARDWARE.)

3. PARAGRAPH 2, REF B RECOMMENDS THROUGH US REVIEW OF UH-1H HELICOPTER REQUIREMENTS OBJECTIVE MIDWAY DURING THE PLANNED SECOND INCREMENT OF 68 HELICOPTERS PRIOR TO DECIDING ON FUTURE PROGRAM AND FUNDING ACTIONS. UNDER CURRENTLY FORECAST PRODUCTION SCHEDULES, REVIEW WOULD BE EXPECTED DURING 2ND OR 3RD QUARTER, FY75. HOWEVER, FOLLOWING TWO FACTORS SUGGEST NEED FOR EARLIER REVIEW AND CONSIDERATION OF TOTAL PROGRAM OBJECTIVES AND PHASE III FUNDING REQUIREMENTS:

A) PROGRAM CREDITS AVAILABLE UNDER CURRENT MOU
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(REF B) WILL TERMINATE AFTER FY 74. IF ADDITIONAL CREDITS ARE TO BE OFFERED TO PROVIDE FOR CONTINUOUS PROGRAM PRODUCTION SCHEDULING, APPROVALS SHOULD BE OBTAINED BY THE END OF THE CURRENT FISCAL YEAR.

B) SUFFICIENT LEADTIME SHOULD BE ALLOWED SO THAT, IN THE EVENT OF SUBSEQUENT PROGRAM CREDIT REDUCTIONS, ROC REPROGRAMMING DECISIONS AND BUDGETARY ADJUSTMENTS CAN BE MADE. (ROC BUDGETS ARE FORMULATED ON OR ABOUT 1 JAN,

PRIOR TO BEGINNING OF THE NEW FISCAL YEAR).

4. DISCUSSION: COUNTRY TEAM HAS REVIEWED TOTAL UH-1H PROGRAM OBJECTIVES AND FUNDING REQUIREMENTS AS THEY ARE NOW KNOWN--TO INCLUDE REQUIREMENTS FOR T-53 ENGINES AND HELICOPTER AGE. A REVIEW OF OUR FINDINGS FOLLOWS:

A) PRIORITIES. PROGRAM CONTINUES TO ENJOY HIGH PRIORITY WITHIN ROC AND MND, BECAUSE OF OPERATIONAL CAPABILITIES IT WILL PROVIDE THE ROC GROUND FORCES, AS WELL AS STATUS CO-PRODUCTION EFFORT LENDS TO ROC GENERALLY. IN EVENT OF CREDIT CURTAILMENT, ROC OFFICIALS GIVE EVERY INDICATION OF CARRYING ON HELICOPTER AND ENGINE CO-PRODUCTION WITH OWN RESOURCES. FROM US VIEWPOINT, PROGRAM IS LESS SIGNIFICANT MILITARY THAN F-5 CO-ASSEMBLY PROGRAM AND OTHER MATERIAL ACQUISITION RELATED TO AIR AND NAVAL DEFENSE. HOWEVER, ITS FUTURE CONTRIBUTION TO GROUND FORCE MOBILITY, TO ENHANCED COMMAND AND CONTROL, AND TO POTENTIAL REDUCTIONS IN THE ROC GROUND FORCES WARRANTS CONTINUED--THROUGH REDUCED--US CREDIT SUPPORT THROUGH PHASE III.

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B) OPERATIONAL EMPLOYMENT CONCEPT. OPERATIONAL CONCEPTS BEING IMPLEMENTED BY MINISTRY OF NATIONAL DEFENSE REMAIN BASICALLY AS OUTLINED IN PARAGRAPH 2, REF B, WITH 236 UH-1H AIRCRAFT PROJECTED FOR ASSIGNMENT TO ROC GROUND FORCES -- 192 TO ARMY (ROCA), AND 44 TO MARINE CORPS (CMC). IN ADDITION, CHINESE AIR FORCE (CAF)

NEEDS 12 AIRCRAFT FOR EARCH AND RESCUE SQUADRON, RAISING CURRENT TACTICAL REQUIREMENT TO 248 HELICOPTERS, VICE 236 DESCRIBED REF B. A DETAILED DESCRIPTION OF PROJECTED SERVICE USAGE IS GIVEN IN FOLLOWING SUB-PARAGRAPHS:

(1) ROCA AIRCRAFT ARE PROJECTED FOR ASSIGNMENT WITHIN THREE AVIATION GROUPS, EACH EQUIVALENT TO A US ARMY AVIATION BATTALION. FIRST WILL BE ACTIVATED AND EQUIPPED THIS FISCAL YEAR, AND WILL CONSIST OF TWO HELICOPTER SQUADRONS (EQUIVALENT TO US ARMY HELICOPTER COMPANIES) WITH 22 AIRCRAFT ASSIGNED IN EACH SQUADRON. UNIT WILL HAVE THE MISSION OF PROVIDING GENERAL AVIATION SUPPORT TO ROC 1ST AND 2ND FIELD ARMIES--BOTH LOCATED ON TAIWAN PROPER--AND, IN ADDITION, WILL SUPPORT ROCA AVIATION SCHOOL (KUEI REN) FOR TRAINING OF ROCA ND CMC PILOTS, CREW, AND MAINTENANCE PERSONNEL, REQUIREMENT: 44 UH-1H HELICOPTERS.

(2) UNDER CURRENT PRODUCTION SCHEDULES, SECOND ROCA GROUP WILL BE ACTIVATED AND FULLY EQUIPPED BY FY77. IT WILL CONSIST OF THREE HELICOPTER SQUADRONS--WITH 22 HELICOPTERS ASSIGNED TO EACH--AND ONE RECONNAISSANCE
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FLIGHT (PLATOON) OF EIGHT AIRCRAFT. THIS GROUP WILL BE ASSIGNED MISSION OF PROVIDING DIRECT AVIATION SUPPORT TO ROC 1ST FIELD ARMY BASED AT LUNG TAN IN NORTHERN TAIWAN. REQUIREMENT: 74 UH-1H HELICOPTERS.

(5) THIRD ROCA GROUP IS PROJECTED FOR ACTIVATION WITH FULL EQUIPMENT BY FY81 AND WILL HAVE SAME ORGANIZATION AS SECOND ROCA GROUP. UNIT WILL PROVIDE DIRECT AVIATION SUPPORT TO ROC 2ND FIELD ARMY, BASED AT HSIN SHE IN CENTRAL TAIWAN. REQUIREMENT: 74 UH-1H HELICOPTERS.

(4) ROC MARINE CORPS GROUP, ORGANIZED IDENTICALLY TO RIST ROCA GROUP, WILL BE BASED AT TSOYING IN SOUTHERN TAIWAN, AND WILL BE ACTIVATED AND EQUIPPED BY FY83. PRIMARY MISSION OF THIS GROUP WILL BE RAPID DEPLOYMENT OF COMBAT MARINES TO TROUBLE SPOTS, BUT, DEPENDING ON TACTICAL SITUATION, UNIT CAN PROVIDE REQUISITE AVIATION SUPPORT IN SOUTHERN TAIWAN AREA GENERALLY. REQUIREMENT: 44 UH-1H HELICOPTERS.

(5) AS RELECTED IN FY76-83 JSOP SUBMISSION, ROC REQUIRES 12 UH-1H AIRCRAFT FOR ASSIGNMENT TO THE CAF SEARCH AND RESCUE SQUADRON. GIVEN JUSTIFIABLE PRIORITY ATTACHED TO SAR MISSION, AIRCRAFT ARE ALREADY ASSIGNED AND OPERATIONAL IN SQUADRON, SIGNIFICANTLY ENHANCING ROC COASTAL AND INLAND SEARCH AND RESCUE CAPABILITIES. REQUIREMENT: 12 UH-1H HELICOPTERS.

C. PROGRAM REQUIREMENTS: PREVIOUS ESTIMATES HAVE FAILED TO ADDRES
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SUPPORT REQUIREMENTS SUCH AS MAINTENANCE FLOAT AND ATTRITION. BEYOND TACTICAL REQUIREMENT FOR 248 HELI-

COPTERS OUTLINED IN PARAGRAPH 4C., FLOAT AND ATTRITION REQUIREMENTS ARE ADDRESSED BELOW:

(1) US ARMY FMS MATERIEL DATA BOOKS, SPECIFICALLY SECTION I PUBLISHED BY US ARMY AVIATION SYSTEMS COMMAND, RECOMMEND ESTABLISHMENT OF A MAINTENANCE FLOAT FOR UH-1H AIRCRAFT EMPLOYED BY SECURITY ASSISTANCE COUNTRIES AT 10 PERCENT OF TACTICAL ASSETS, IN EXCESS OF FIRST 25 ASSIGNED. TACTICAL FLEET OF 248 AIRCRAFT WOULD THUS SUPPORT A FLOAT OF 22 HELICOPTERS, FOR A TOTAL OPERATIONAL REQUIREMENT OF 270 UH-1H AIRCRAFT. ENGINE SPARES ARE AUTHORIZED AT 20 PERCENT OF OPERATIONAL REQUIREMENTS (270). THEREFORE, 324 T-53 ENGINES ARE NEEDED TO SUPPORT OPERATIONAL AIRCRAFT--270, PLUS 20 PERCENT.
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(2) ATTRITION CAN BE ESTIMATED USING MND-SPECIFIED FLYING-HOUR PROGRAM (360 HOURS/UH-1H/YEAR), USAF-RECOMMENDED ATTRITION RATES FOR SECURITY ASSISTANCE COUNTRIES (ESTIMATED AT 1 UH-1H AIRCRAFT PER 20,000 FLYING HOURS), AND PROJECTED CO-PRODUCTION SCHEDULES--TAKEN AT ANNUAL RATES SPECIFIED REF B, BUT EXTENDED INTO FUTURE SO AS TO COMPLETE TOTAL PROGRAM REQUIREMENTS INCLUDING ATTRITION. THIS APPROACH RESULTS IN PROJECTED ATTRITION OF 35 UH-1H AIRCRAFT AND ENGINES THROUGH FY84.

(3) TOTAL PROGRAM REQUIREMENTS, INCLUDING TACTICAL USAGE, MAINTENANCE FLOATS/SPARES, AND ATTRITION, ARE 305 UH-1H HELICOPTERS AND 359 T-53 ENGINES.

D. PROGRAM FORECAST. IF TOTAL PROGRAM REQUIREMENTS, LESS PRIOR EQUIPMENT ACQUISITIONS, ARE TO BE SATISFIED THROUGH CO-PRODUCTION/CO-ASSEMBLY OF HELICOPTERS AND ENGINES, OVERALL PROGRAM CAN BE FORECAST AS SHOWN IN TABLE BELOW:

CATEGORY	FUNDING		PROD	
	UH-1H	T-53	FY'S	FY'S
1. REQUIREMENTS	305	359		
2. ACQUISITIONS				
A. PRIOR (1)	11	70		
B. CO-PRODUCT-				
ION	294	289	69-81	71-84
PHASE I & II	(118)	(80)	(69-74)	(71-77)
(2)				
PHASE III	(118)	(144)	(75-78)	(77-82)
(3)				
PHASE IV	(58)	(65)	(79-81)	(82-84)
(4)1				

NOTES:

(1) PRIOR HELICOPTER ACQUISITIONS, EACH WITH T-53 ENGINE, WERE OBTAINED THROUGH GRANT AID, EDA, AND FMS PURCHASE. IN ADDITION, 59T-53 ENGINES ARE BEING PURCHASED TO SUPPORT PHASE I COP-PRODUCTION, PLUS SPARES.

(2) PER REF'S A AND B. PRODUCTION SCHEDULES FOR PHASE II AND BEYOND MAY BE DECREASED TO 2 AIRCRAFT PER
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MONTH-VICE 3--TO ENABLE SHARING OF PRODUCTION FACILITIES WITH F-5 OC-ASSEMBLY PROGRAM. REDUCED PRODUCTION RATE IS REFLECTED IN PRODUCTION FY'S SHOWN.

(3) CONSTITUTES NEXT LOGICAL INCREMENT FOR US FUNDING CONSIDERATION.

(4) PRODUCTION AND FUNDING SCHEDULES ARE CONJECTURAL INCREMENT WOULD BE REQUIRED TO COMPLETE TOTAL PROGRAM REQUIREMENTS.

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E. COMPARATIVE COSTS (PHASE III). COST OF US DIRECT PROCUREMENT OF UH-1H HELICOPTERS AND T-53 ENGINES--TO INCLUDE PCH&T--IS ESTIMATED AT US\$403,000 AND US\$93,000, RESPECTIVELY. (FORMER FIGURE INCLUDES AN INSTALLED ENGINE.) CURRENT PRODUCTION DATA INDICATES THAT COST OF PRODUCING

UH-1H HELICOPTERS ON TAIWAN, WITH DIRECTLY PROCURED ENGINES, FELL BELOW COMPARABLE DIRECT PROCUREMENT COSTS WITH 36TH UH-1H PRODUCED IN LAST QUARTER FY73. NO COMPARABLE HARD DATA EXISTS FOR ASSESSING ENGINE CO-PRODUCTION, SINCE CO-PRODUCTION WILL NOT BEGIN UNTIL 3RD QUARTER THIS FISCAL YEAR. NEVERTHELESS, INCREMENTAL COST "CROSS-OVER" POINT FOR ENGINES IS PROJECTED TO OCCUR WITH 115TH ENGINE PRODUCED IN PHASE III. THUS, NET SAVINGS (IN INCREMENTAL COSTS) PROJECTED FOR AIRFRAME CO-PRODUCTION IN PHASE III, WHEN ADDED TO LOSSES TO BE INITIALLY SUSTAINED IN ENGINE CO-ASSEMBLY, SHOULD RESULT IN A COMPOSITE "CROSS-OVER" POINT (AIRFRAME, PLUS INSTALLED ENGINE) OCCURRING WITHIN FIRST 20 AIRCRAFT TO BE PRODUCED DURING THE PHASE. FINALLY, IF PROJECT IS CARRIED INTO PHASE IV, AS ILLUSTRATED PARAGRAPH 4D, PROGRAM WILL ACHIEVE "BREAK-EVEN" POINT, RECOUPING CAPITAL INVESTMENT, AS WELL AS VARIABLE PRODUCTION COSTS OVER DIRECT PROCUREMENT ALTERNATIVES.

F. ECONOMIC IMPACT (PHASE III).

(1) US. TOTAL COST OF PHASE III PORTION OF THE
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PROGRAM IS ESTIMATED AT US\$68.3 MILLION, TO INCLUDE US\$8 MILLION IN ROC CASH TO BE EXPENDED IN PRODUCTION YEARS, BUT PRORATED OVER FUNDING YEARS. OF THIS, US\$60.3 MILLION WILL BE RETURNED TO THE US FOR PARTS PROCUREMENT AND ASSOCIATED COSTS, THUS IMPACTING FAVORABLY ON BALANCE OF PAYMENTS. IMPACT ON EMPLOYMENT WILL BE PRIMARILY ON PRIME CONTRACTORS--BELL HELICOPTER, FOR UH-1H AIRFRAME; AND LYCOMING, FOR T-53 ENGINE. NEVERTHELESS, AIRCRAFT INDUSTRY IN GENERAL CAN BE EXPECTED TO BENEFIT THROUGH CREATION OR CONTINUATION OF JOBS RELATED TO PARTS AND ASSEMBLIES MANUFACTURE.

(2) ROC.

(A) DEBT SERVICE. CONSERVATIVE ESTIMATES OF ROC DEBT SERVICE OBLIGATIONS FY75 AND BEYOND--INDICATE THAT DEBT SERVICE RATIO WILL REMAIN AT OR BELOW A VERY FAVORABLE 6 PERCENT EVEN IF ALL CREDITS CONTAINED IN REF C ARE RECEIVED AS PLANNED.

(B) ABILITY TO PAY. ROC ECONOMY IS PROJECTED TO SUSTAIN HIGH BUT DECLINING REAL GROWTH RATES OVER THE PHASE III CONTINUATION PERIOD. (RATES ARE PROJECTED TO DECLINE FROM APPROXIMATELY 10 PERCENT IN FY74 TO 9 PERCENT IN FY78). IF GRC CONTINUES TO ALLOCATE RESOURCES TO ROC MILITARY FROM BETWEEN 9 AND 10 PERCENT OF GNP ANNUALLY, SIGNIFICANT AMOUNTS OF RESOURCES SHOULD BECOME AVAILABLE TO MND FOR CASH INVESTMENT PURPOSES. IN NEAR TERM, HOWEVER, MND HAS CASH FLOW PROBLEM RESULTING FROM COMBINED EFFECTS OF ELIMINATION OF GRANT ASSISTANCE, AND RECEIPT OF CRA FMS CREDITS BELOW LEVELS CONTAINED IN CONGRESSIONAL

PRESENTATION DOCUMENT (CPD). ALTHOUGH MND IS STRIVING TO MAINTAIN REASONABLE LEVELS OF MILITARY INVESTMENT-- E.G. WILLINGNESS TO UNDERTAKE PGM PROGRAM WITH CASH-- IN FACE OF UNFORESEEN PROGRAM REDUCTIONS, CASH RESOURCES PROJECTED THROUGH FY76 WILL BE INSUFFICIENT TO SATISFY ALL PRIORITY REQUIREMENTS. BEYOND FY76, PROPER BUDGETARY PLANNING SHOULD EASE IMMEDIATE PROBLEM, SINCE GROWTH IN MND RESOURCES SHOULD BEGIN TO OVERTAKE CURRENT CASH COMMITMENTS.

(3) NEED FOR CREDITS. ALTHOUGH MND OFFICIALS GIVE EVERY INDICATION OF CARRYING ON WITH OWN RESOURCES IN THE EVENT OF REDUCED US CREDITS FOR THIS PROGRAM, "CASH FLOW" CONSTRAINTS IN ABSENCE OF FMS CREDITS DURING

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PERIOD FY75-77 WOULD PROBABLY FORCE REDUCTIONS IN FORECAST PRODUCTION SCHEDULES DURING FIRST FEW PRODUCTION YEARS OF PHASE III. INCREASING AVAILABILITY OF CASH RESOURCES IN OUT-YEARS, HOWEVER, SUGGESTS THAT PROGRAM SHOULD BE SHIFTED TO A CASH BASIS NO LATER THAN FY78. A COMPARISON OF CURRENT (POM) FUNDING PLAN FOR PHASE III CONTINUATION, AS AGAINST REVISED CREDIT-TO-CASH TRANSITION PLAN IS SHOWN IN FOLLOWING TABLE:

FY75 FY76 FY77 FY78
(US\$ MILLIONS)

(A) PROGRAM COST	19.6	17.9	17.8	13.0
UH-1H CO-PROD	(12.3)	(11.5)	(10.9)	(10.9)
T-53 CO-PROD	(6.7)	(6.2)	(6.5)	(1.9)
HELO AGE	(0.6)	(0.2)	(0.4)	(0.2)

(B) POM PLAN

FMS CREDITS	(17.6)	(15.9)	(15.8)	(11.0)
GRC CASH	(2.0)	(2.0)	(2.0)	(2.0)
PERCENT CREDIT	89.8	88.8	88.7	84.6

(C) RECOMMENDED REVISED PLAN

FMS CREDITS	(17.6)	(10.7)	(5.3)	
ROC CASH	(2.0)	(7.2)	(12.5)	(13.0)
PERCENT CREDIT	89.8	60.0	30.0	0

(4) FINAL COMMITMENT. "CASH FLOW" PROBLEMS CITED ABOVE CAN BE EASED ONLY IF HILSG GIVES ROC ADVANCE NOTICE OF DECLINING CREDITS AND IF ROC AND MND REPROGRAMMING AND BUDGETARY ADJUSTMENTS CAN BE MADE. TO FACILITATE SUCH ADJUSTMENTS AND TO PROVIDE EVIDENCE OF CONTINUED USG SUPPORT FOR ROC AT MODERATE COST (IN VIEW OF MINIMAL AMOUNTS OF CREDITS INVOLVED), A "WRAPUP" COMMITMENT (REVIEWED ANNUALLY) FOR PROGRAM WOULD APPEAR TO

BE IN USG INTERESTS.

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G. FORCE REDUCTION IMPLICATIONS. UH-1H PROGRAM WILL CONTRIBUTE SUBSTANTIALLY TO IMPROVEMENT OF TACTICAL MOBILITY, AND COMMAND AND CONTROL OF ROC GROUND FORCES. THIS PROGRAM, ALONG WITH CONCURRENT MODERNIZATION IN COMMUNICATIONS AND WEAPONS SYSTEMS, CAN MAKE POSSIBLE MEANINGFUL REDUCTIONS IN GROUND FORCES PROVIDING MND AND THE GRC CAN BE CONVINCED TO UNDERTAKE THEM. SO FAR REDUCTIONS HAVE BEEN MINIMAL BUT AS ROC GAINS EXPERIENCE IN TACTICAL AIR MOBILITY OF GROUND TROUPS, US RECOMMENDATIONS CONCERNING SIZE OF GROUND FORCES--REINFORCED BOTH BY FMS CREDIT LEVERAGE AND ATTRACTION OF RESULTANT FORCE STRENGTH SAVINGS --SHOULD HAVE MORE MEANING. MOREOVER, USE OF AIRMOBILE CAPABILITY WOULD PERMIT REDUCTIONS IN UNITS SMALLER THAN REGIMENTAL SIZE--E.G., REDUCTIONS IN NUMBERS OF BATTALIONS ASSIGNED TO REGIMENTS--WHICH, WHEN BROACHED, WOULD SIDESTEP MND HESITANCY TO ELIMINATE MAJOR UNIT HEADQUARTERS.

5. CONCLUSIONS:

A. TACTICAL EMPLOYMENT CONCEPT DESCRIBED PARAGRAPH 4B IS MILITARILY JUSTIFIABLE, PRIMARILY BECAUSE IT WILL PROVIDE ROC FORCES WITH ENHANCED TACTICAL AND DEFENSIVE MOBILITY.

B) PHASE III INCREMENT--118 ADDITIONAL HELI-

COPTERS AND 144 ADDITIONAL ENGINES--IS A LOGICAL NEXT
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STEP IN PROGRAM CONTINUATION.

C) PROJECTED HEALTH OF ROC ECONOMY GENERALLY, AND ITS IMPACT IN GENERATING INCREASED CASH RESOURCES FOR MND, WILL PERMIT PROGRAM TO BE SHIFTED TO A CASH BASIS DURING PHASE III.

D. SOME CREDIT SUPPORT OF PHASE III CONTINUATION IS WARRANTED TO EASE PROJECTED GRC (MND) "CASH FLOW" PROBLEMS AND TO FACILITATE GRC REPROGRAMMING AND BUDGETARY DECISIONS TO ACCOMMODATE TRANSITION.

E) LEVERAGE OF CREDIT ALLOCATION SHOULD REINFORCE U.S. ADVICE ON DIRECTION AND SHAPE OF FORCE ADJUSTMENT.

6. RECOMMENDATIONS:

COUNTRY TEAM RECOMMENDS:

A) THAT UH-1H AND T-53 ENGINE PROGRAMS AND CO-PRODUCTION OBJECTIVES RECEIVE USG APPROVAL IN PRINCIPLE AS FOLLOWS:

	UH-1H	T-53	
	OBJ	OBJ	
TOTAL PROGRAM	305	359	

CO-PRODUCTION/CO-ASSEMBLY 294 289

B) THAT PHASE III-118 HELICOPTERS AND 144 T-53 ENGINES-BE APPROVED AS THE NEXT INCREMENT IN PROGRAM CONTINUATION.

C) THAT CREDITS IN AMOUNTS SHOWN BELOW BE APPROVED AS A RATIONAL MEANS OF SHIFTING PROGRAM FUNDING TO A CASH BASIS IN PHASE III.

	FY75	FY76	FY77
FMS CREDITS (US\$ MILLIONS)	17.6	10.7	5.3

D) THAT WITHOUT ESTABLISHING IMPRACTICABLE PRE-CONDITIONS, WE USE ANNUAL REVIEW TO MAXIMIZE LEVERAGE OF THIS PROGRAM TOWARD ROC FORCE REDUCTIONS.
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Executive Order: GS GLEYSTEN
Errors: N/A
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Review Authority: collinp0
Review Comment: n/a
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Review Date: 30 JAN 2002
Review Event:
Review Exemptions: n/a
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Review Markings:

Declassified/Released
US Department of State
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF REQUIREMENTS FOR CONTINUED UH-1H CO-PRODUCTION AND RELATED PROGRAMS
TAGS: MILI, TW
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005